

The fall in debt largely reflects the strong cash generation of the Group and the reduced level of acquisitions.



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The purpose of this review is to outline key aspects of the Group's performance over the last year and of its financial position.

Accounts

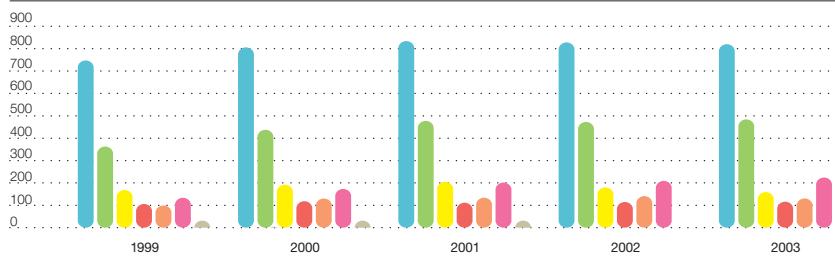
No new accounting standards have been published this year. The Group has, however, changed its accounting policy to show listed investments, included within other investments, at cost, rather than at market value. The reason for the change in policy and the effect of the change is explained on page 49 under the heading, "changes in presentation of financial information". Other than this change of policy, the accounts have been prepared in accordance with the accounting policies adopted last year.

As permitted by FRS 17, 'Retirement Benefits', the primary statements have been prepared again under SSAP 24 'Accounting for Pension Costs'. Information has been included again in the notes to the Accounts in order to comply with the transitional arrangements for the implementation of FRS 17.

Turnover

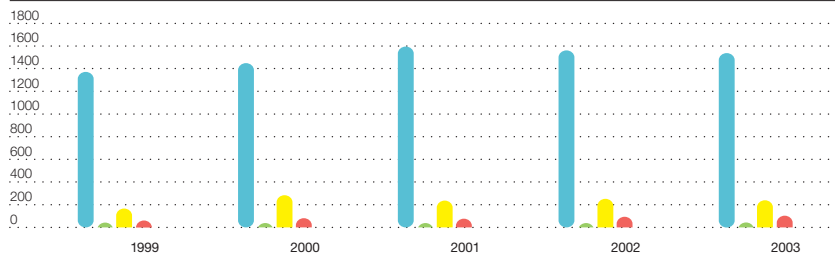
The Group's turnover in the year of £1,933 million was virtually unchanged on the previous year. The level of acquisitions of subsidiaries has been modest this year and the slight fall turnover is due mainly to a reduction in revenues at Euromoney Institutional Investor and dmg world media (the latter for cyclical reasons), offset by increases at Northcliffe and DMG Information.

The analysis of turnover by activity, illustrated in Graph 1, shows that there has been little overall change in the shape of the Group. Graph 2 shows the geographic split of turnover.



Graph 1: Turnover by Activity in £m

- National newspapers and related activities
- Regional newspapers and related activities
- Euromoney
- Broadcasting
- Exhibitions and related activities
- Business to business information and careers
- Other activities



Graph 2: Turnover by geographical area in £m

- UK
- Rest of Europe
- North America
- Rest of World

Operating Profit

The Group's adjusted operating profit before amortisation and impairment of intangible assets amounted to £238 million, a 2% decrease on last year's equivalent figure, which was stated after charging £9 million of exceptional operating costs. Amortisation fell slightly from £55 million to £54 million and we also charged £9 million in respect of impairments of intangible assets mainly at Euromoney Institutional Investor.

The analysis of adjusted operating profit by activity is shown in graph 3. This shows that the Northcliffe, broadcasting, and business to business information and careers divisions achieved increases in profitability. Northcliffe saw steady increases in circulation and advertising revenues, and has been able to improve its trading margin. In the broadcasting division, the recently launched Sydney and Melbourne Nova radio stations moved into profit. DMG Information saw strong growth from its business to business companies and a recovery in profitability for the careers division. Associated invested in the Evening Standard and Ireland on Sunday, while maintaining the profits of its national titles despite a difficult advertising market. Euromoney Institutional Investor suffered decreased revenues from the financial markets. DMG World Media has a number of large non-annual shows and this was the low year in its cycle. It achieved good underlying growth in profits.

Profit before Tax

The Group's share of net operating profits of its investments in joint ventures and associates rose due mainly to an increased contribution from GWR Group plc, its 29.9% associate. GWR has sold its overseas operations and has reorganised its UK operational structure. Underlying profits at GLM, the North American gift exhibition organiser, were ahead of last year, but fell in sterling terms; this was offset by reduced losses at Whereaware.

Income from fixed asset investments consisted of dividends received from Reuters Group plc and the Press Association, the latter including a final special distribution of £3 million.

The fall in net interest payable was due to a lower average level of debt, lower interest rates generally and higher proportion of US\$ debt. Other financing charges rose due to the absence of a finance credit on deferred proceeds.

The reported profit before tax of £108 million was slightly higher than last year's figure. Excluding amortisation and impairment and other items which we regard as exceptional, the adjusted profit figure was £185 million, up 2% on last year.

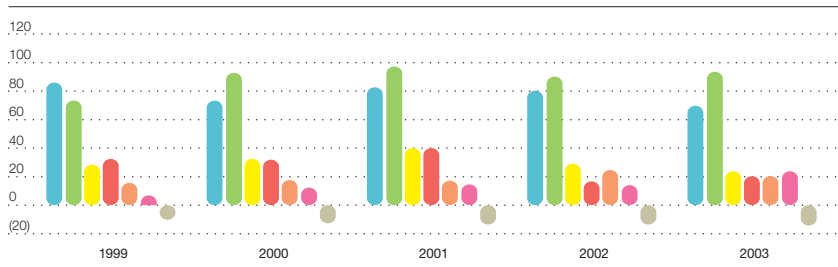
Taxation

The tax charge of £45.5 million represents 42.1% of profit before tax and 24.5% of profit before amortisation and impairment. The underlying rate of tax was 25.3%, lower than last year's level of 27.1% and below the UK corporate tax rate, where the Group currently makes most of its profit. The Group's effective tax rate in the UK is higher than this due to expenditure disallowed for tax purposes. This is offset by a lower rate of tax on our US profits, largely due to the recognition of prior year US tax losses. This is likely to remain the case for a number of years.

Cash Flow and Net Debt

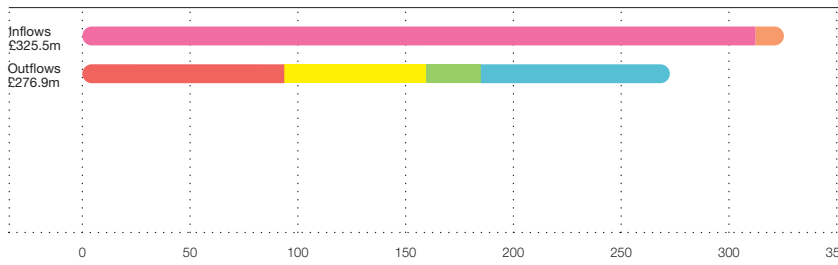
Net debt at the end of the financial year was £873 million, a decrease of £49 million compared with last year despite the continuing high level of capital expenditure due to the UK press expansion programme. The fall in debt largely reflects the strong cash generation of the Group and the reduced level of acquisitions.

Graph 4 summarises the Group's sources and use of funds during the year. The net cash inflow from trading was £313 million, which represented 101% of adjusted operating profit before depreciation. In general, the Group's profits are converted rapidly into cash.



Graph 3: Trading profit by activity

- National newspapers and related activities
- Regional newspapers and related activities
- Euromoney
- Broadcasting
- Exhibitions and related activities
- Business to business information and careers
- Unallocated central costs, rental income and other activities



Graph 4: Cash Flows

- Interest and dividends £87.7m
- Taxation £25.7m
- Acquisitions and Investments £65.5m
- Capital expenditure £93.7m
- Disposals £13.1m
- Operating activities £312.4m

This positive cashflow was partially obscured in 2002 due to the timing of the year end.

Capital expenditure of £94 million was similar to last year's level; this high level reflects the programme to enhance the Group's presses and will continue for a further year. Acquisitions and investments cost £65 million (£125 million in 2002), the largest items being the acquisition of Sitescope (£12 million), Property & Portfolio Research and Hedge Fund Intelligence (both £11 million).

In summary, the Group generated free cash flow of £102 million which, with disposal proceeds of £13 million, it used to fund acquisitions of £65 million, and to reduce debt.

The Group's interest cover, calculated as the ratio of adjusted profits before interest and depreciation (EBITDA) to net interest payable, was 5.2 times this year, an improvement on 2002 (see Graph 5) and above the Group's target of five times. This ratio benefited from the fall in interest costs associated with lower debt levels, an increased proportion of US\$ debt (with lower interest rates) and lower marginal interest rates overall. The proportion of US\$ debt was increased in the year because US\$ EBITA increased and it is the Group's policy to keep debt in proportion to the currency of EBITA. The Group's ratio of year end net debt to EBITDA was 2.7 times. In June, Standard & Poor's re-affirmed the Group's credit rating as unchanged at BBB.

The Group has sufficient committed debt facilities to meet its foreseeable requirements. During the year the Company issued £175 million 5½% Eurobonds due 2018. It had surplus committed facilities of £190 million at the year end. The Group has £360 million of Bonds and bank facilities maturing in 2005 and £660 million of Bonds due for repayment in 2013, 2018 and 2021.

Treasury Policies

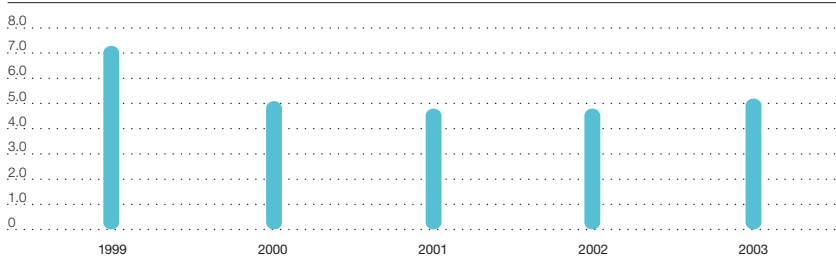
The following paragraphs are a summary of the Group's treasury policies. Detailed information is given in Note 27 to the balance sheets. DMGT aims to have sufficient liquidity to meet both operational and capital cash flows and to impose the minimum cash constraints on the management and operation of the Group. Financial instruments, including derivatives, are used by the Group in order to manage the principal financial risks that arise in the course of business. These risks are liquidity or funding risk, foreign exchange risk, interest rate risk and counterparty risk. The instruments are used within the parameters set by the Finance Committee of the Board, and are not traded for a profit.

Overview

The Group has adequate committed debt finance to meet current trading requirements. Foreign exchange risk is not a large issue for the Group as the majority of its businesses are domestic. The underlying currency of net debt is in proportion to the EBITDA in each currency. The Group has a prudent level of fixed interest rate debt to reduce the impact of interest rate fluctuations.

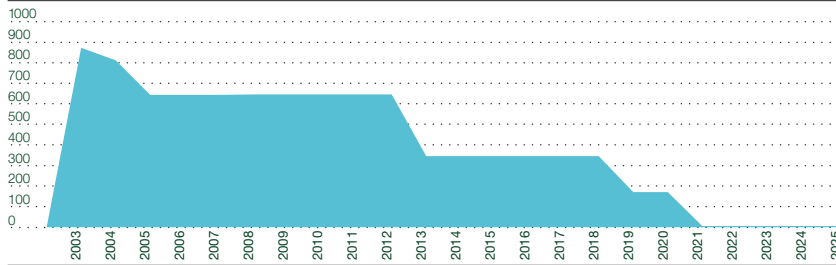
(a) Liquidity Risk

It is the Group's policy to have sufficient surplus borrowing headroom such that its development is not constrained. The Group is funded by a mixture of equity, debt and retained profits. Debt consists mainly of committed bank facilities and bonds. The bank facilities provide the Group with flexibility for operational requirements and acquisitions. Uncommitted and overdraft facilities are also utilised. The bonds currently in issue consist of four sterling Eurobonds. Maturities of debt are spread in order to avoid the requirement for significant repayments at any point in time, as shown in Graph 6. Surplus funds are generally used to pay down debt; when they do arise, they are generally deposited in money market accounts with banks that provide bilateral credit lines.



Graph 5: Ratio of Earnings before interest, tax and depreciation and amortisation to net interest payable

● EBITDA: Net interest



Graph 6: Maturity profile of Group Net Debt in £m

Covenants on debt instruments are kept to a minimum, even if this results in marginally higher interest costs. Apart from lease finance, external finance is unsecured and is usually an obligation of the central holding companies rather than of trading subsidiaries. This gives management maximum flexibility to run the business without the distraction of meeting short term financing requirements.

(b) Foreign Exchange Risk

(i) Transaction Risk

Most of the Group's businesses do not transact cross-border: hence multi-currency transaction risk is not substantial. The main exception is Euromoney Institutional Investor which has net receipts in US dollars and net payments in sterling. Euromoney has a series of US dollar forward sale contracts in place up to 18 months forward to meet its sterling outgoings. Other than Euromoney there were no significant foreign currency contracts in existence that hedge revenues or costs.

The sterling value of capital expenditure in foreign currency is fixed using forward currency purchases. Tax on non-trading exchange rate movements is hedged.

(ii) Translation Exposure

Borrowings are principally incurred in sterling, with lesser amounts in US dollars and Australian dollars. Generally, the proportion of foreign currency debt (after allowing for any hedging instrument) to total net debt is kept approximately equal to the proportion of foreign EBITDA, compared to total Group EBITDA. This is expected to continue. A large proportion of US dollar and Australian dollar liabilities are created through the use of foreign exchange derivatives.

(iii) Netting

The Group may offset currency risks on trading, capital expenditure, tax and borrowings and only hedge the net exposure.

(c) Debt Levels

The Group aims to have a 5:1 ratio of EBITDA to net interest costs. It is believed that this achieves the optimum level of gearing for the

Group and keeps the Group's quoted debt as investment grade. This ratio will not be met consistently but generates a medium term target net debt level.

(d) Interest Rate Risk

The Group aims to have approximately 70% of forecast net debt to 80% of target net debt as fixed interest rate liabilities. It aims to achieve this ratio over the medium term and it is applied to each of the Group's main currencies. The predictability of interest costs is deemed to be more important than the possible opportunity cost foregone of achieving lower interest rates. Borrowings are made in either fixed or floating rates. Interest rate swaps, cross currency swaps, caps and collars are used to help attain the Group's target level of fixed interest rate debt. The maturity dates are spread in order to avoid interest rate basis risk and also to negate short-term changes in interest rates. At the year end, fixed interest rate debt represented approximately 77% of total net debt.

(e) Counterparty Risk

The Group has a deposit limit for banks with long-term credit ratings of 'AA' or better, and a lower limit for single 'A' rated banks. Institutions below this rating are not usually used for deposits. The Group is also exposed to credit related losses on financial instruments used for hedging purposes. The Group does not expect any counterparties to be unable to meet their obligations. Counterparties and their credit ratings are regularly reviewed by Group Treasury.

Going Concern

The Directors have continued to adopt the going concern basis for the preparation of the accounts. This has been done since, after considering relevant information, they have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future.